




THE CITY OF SAN DIEGO

MEMORANDUM

DATE: November 10, 2008

TO: Council Member Toni Atkins, Chair, Budget and Finance Committee and Committee Members

FROM: Jay M. Goldstone, Chief Operating Officer 

SUBJECT: Addendum to Fiscal Year 2009 Budget Amendment Report, #08-0166, Transient Occupancy Tax (TOT) Fund Corrective Actions

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The Fiscal Year 2009 Budget Amendment Report included an overview of the corrective actions recommended to mitigate the projected revenue shortfall in the TOT Fund. This memorandum and the attachments provide additional detail regarding the TOT Fund and the recommended adjustments.

The Fiscal Year 2009 total City TOT revenue budget is \$173.0 million. Of this amount, \$90.6 million is deposited directly into the General Fund and \$82.4 million into the TOT Fund or Special Promotion Programs. As discussed in the Budget Amendment Report, TOT revenue is now projected to come in under budget by \$16.1 million for the City. Of this amount, \$8.4 million directly impacts the General Fund, while \$7.7 million impacts the TOT Fund, thus reducing the TOT Fund Budget to \$74.7 million. The following actions are recommended to mitigate this shortfall and are also reflected in the attached table.

**CCDC Payment of PETCO Park Bonds**

The Centre City Development Corporation will pay the full \$11.3 million in annual debt service for the PETCO Park bonds. This represents a \$3.8 million increase from the original budget.

**Commission for Arts and Culture (Arts, Culture and Community Festivals Program Administration)**

The Commission for Arts and Culture budget will be reduced by \$47,500. This is the reduction of 1.00 Associate Management Analyst which functions as the Public Art Project Coordinator.

**Public Art**

The \$30,000 contribution to the Public Art Fund will be eliminated for Fiscal Year 2009.

**New Convention Facility**

The contribution to the Convention Center will be reduced by \$218,000 for the remainder of Fiscal Year 2009.

**PETCO Park**

The contribution to the PETCO Park Fund will be reduced by \$3.2 million due to available fund balance in the PETCO Park Fund.

**Major Events**

The \$21,000 contribution to the Major Events Revolving Fund will be eliminated for Fiscal Year 2009.

**Balboa Park Centennial**

The \$150,000 contribution to set aside funding for the Balboa Park Centennial Celebration will be eliminated for Fiscal Year 2009.

**Discretionary TOT Support to General Fund**

As a result of the projected decline in TOT revenue, the maximum amount of discretionary funding that is eligible for transfer to the General Fund is \$14.7 million. This represents a \$1.5 million reduction in the budgeted transfer and is also reflected in the General Fund revenue adjustments.

**QUALCOMM Stadium**

The contribution to the QUALCOMM Stadium Operating Fund will be reduced by \$1.0 million due to additional funds received in the QUALCOMM Stadium Operating Fund resulting from a settlement with the Chargers.

**Special Events**

The Special Events Department budget will be reduced by 10 percent. This reduction includes approximately \$45,000 in non-personnel expense.

The combined result of these adjustments is projected to leave a fund balance of approximately \$2.4 million at year-end. This fund balance will assist with balancing the Fiscal Year 2010 budget and provide a reserve in the event TOT revenue comes in below the revised projections.

Attachments: Transient Occupancy Tax (TOT) Fund Budget and Corrective Actions  
Transient Occupancy Tax Fiscal Year 2009 Budget Allocation Chart

cc: Honorable Mayor Sanders  
Members of the City Council  
Mary J. Lewis, Chief Financial Officer  
Nader Tirandazi, Financial Management Director  
Andrea Tevlin, Independent Budget Analyst

**Transient Occupancy Tax (TOT) Fund  
Special Promotional Programs**

| Revenue/Expenditures  | Revised<br>Budget | Year-End<br>Projection | Corrective<br>Action | New Budget          |
|---|-------------------|------------------------|----------------------|---------------------|
| <b>Revenue</b>  |                   |                        |                      |                     |
| Transient Occupancy Tax                                     | \$ 82,389,843     | \$ 74,717,635          | \$ (7,672,208)       | \$74,717,635        |
| Redevelopment Agency Loan Repayment                         | 7,500,000         | 7,500,000              | 3,800,000            | 11,300,000          |
| Grants and Other Revenue                                    | 200,000           | 491,062                |                      | 200,000             |
| Total Transient Occupancy Tax Fund Revenue                  | \$ 90,089,843     | \$ 82,708,697          | \$ (3,872,208)       | \$86,217,635        |
| <b>Expenditures</b>   |                   |                        |                      |                     |
| <b>Arts, Culture and Community Festivals</b>                |                   |                        |                      |                     |
| Creative Communities San Diego                              | 425,118           | 425,118                |                      | 425,118             |
| Organizational Support                                      | 6,449,183         | 6,449,183              |                      | 6,449,183           |
| AC&CF Program Administration (Commission)                   | 945,855           | 944,149                | (47,502)             | 898,353             |
| Mayor/City Council Allocations                              | 220,000           | 220,000                |                      | 220,000             |
| Public Art Fund   | 30,000            | 30,000                 | (30,000)             | -                   |
| TOTAL   | \$ 8,070,156      | \$ 8,068,450           | \$ (77,502)          | \$ 7,992,654        |
| <b>Capital Improvements</b>                                 |                   |                        |                      |                     |
| Balboa Park/Mission Bay Park Improvements                   | 6,955,219         | 6,955,219              |                      | 6,955,219           |
| Convention Center Complex                                   | 15,628,553        | 15,628,553             |                      | 15,628,553          |
| New Convention Facility                                     | 4,339,198         | 4,339,198              | (216,960)            | 4,122,238           |
| PETCO Park  | 12,727,447        | 12,727,447             | (3,200,000)          | 9,527,447           |
| Trolley Extension Reserve                                   | 4,008,096         | 4,008,096              |                      | 4,008,096           |
| TOTAL   | \$ 43,658,513     | \$ 43,658,513          | \$ (3,416,960)       | \$40,241,553        |
| <b>Economic Development Programs</b>                        |                   |                        |                      |                     |
| Citywide Economic Development                               | 688,940           | 688,940                |                      | 688,940             |
| Economic Development and Tourism Support                    | 539,737           | 539,737                |                      | 539,737             |
| Business Expansion, Attraction and Retention                | 395,829           | 395,829                |                      | 395,829             |
| ED Program Administration                                   | 178,450           | 178,450                |                      | 178,450             |
| TOTAL   | \$ 1,802,956      | \$ 1,802,956           | \$ -                 | \$ 1,802,956        |
| <b>Major Events</b>   |                   |                        |                      |                     |
| Major Events Revolving Fund                                 | 21,014            | 21,014                 | (21,014)             | -                   |
| TOTAL   | \$ 21,014         | \$ 21,014              | \$ (21,014)          | \$ -                |
| <b>Safety and Maintenance of Visitor-Related Facilities</b> |                   |                        |                      |                     |
| Balboa Park Centennial                                      | 150,000           | 150,000                | (150,000)            | -                   |
| Discretionary TOT Support to General Fund                   | 16,257,968        | 14,723,527             | (1,534,441)          | 14,723,527          |
| Horton Plaza Theatre Foundation                             | 385,000           | 385,000                |                      | 385,000             |
| Mission Trails Regional Park Foundation, Inc.               | 36,450            | 36,450                 |                      | 36,450              |
| QUALCOMM Stadium  | 10,852,504        | 10,852,504             | (1,027,596)          | 9,824,908           |
| Regional Park Safety Program                                | 92,642            | 92,642                 |                      | 92,642              |
| TOT Payment Audit   | 391,356           | 391,356                |                      | 391,356             |
| TOT Administration and Promotional Activities               | 7,725,433         | 7,725,433              |                      | 7,725,433           |
| Special Events Department                                   | 645,851           | 614,611                | (44,585)             | 601,266             |
| TOTAL   | \$ 36,537,204     | \$ 34,971,523          | \$ (2,756,622)       | \$33,780,582        |
| Total Transient Occupancy Tax Fund Expenditures             | \$ 90,089,843     | \$ 88,522,456          | \$ (6,272,098)       | \$83,817,745        |
| <b>Net Transient Occupancy Tax Fund</b>                     | <b>\$ -</b>       | <b>\$ (5,813,759)</b>  | <b>\$ 2,399,890</b>  | <b>\$ 2,399,890</b> |

## Transient Occupancy Tax

**10.5 Cents**

**\$173m budget**

**\$156.9m projected**

### Special Promotional Programs / TOT Fund

**5 Cents**

**\$82.4m budget**

**\$74.7m projected**

### General Fund

**5.5 Cents**

**\$90.6m budget**

**\$82.1m projected**

Use: general governmental purposes

### Council Discretionary Budget

(\$16.5m)

- Transfer to GF (\$16.3m)
- Council/Mayor allocation (\$220k)

### Operating Budget

(\$14.5m)

- Balboa Park/  
Mission Bay Improvement (\$400k)
- Convention Center (\$1.9m)
- Convention Center Facility (\$4.3m)
- PETCO Park (\$1.4m)
- Qualcomm (\$5.1m)
- Commission for Arts and Culture (\$946k)
- Special Events Department (\$446k)

### Other Budgeted Expenditures

(\$17.5m)

- Arts & Culture Programs (\$6.9m)
- Economic Development  
Programs (\$2.2m)
- Balboa Park Centennial (\$150k)
- Transfer to Major Events  
Revolving Fund (\$21k)
- Reimbursements to GF  
for TOT related costs (\$8.1m)
- Regional Park Safety Program (\$93k)

### Debt Service Budget

(\$33.9m)

- Balboa Park/  
Mission Bay Improvement (\$6.6 m)
- Convention Center (\$13.7 m)
- PETCO Park (\$3.8 m)
- Qualcomm (\$5.8 m)
- Trolley Extension (\$4 m)